

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office in
Jefferson City on the 9th day of July,
2002.

In the Matter of the Investigation)
into Certification for Federal)
Universal Service Funds)

Case No. TO-2002-347

ORDER ESTABLISHING CERTIFICATION PROCEDURE

In a pleading filed in Case No. TO-98-329, the Staff of the Commission suggested that a new case should be established to address the issue of federal certification for federal universal service funds. Staff stated that Case No. TO-98-329 deals with issues concerning the Missouri universal service fund, and that it would be appropriate to deal with the issues concerning the federal universal service fund in a new case. The Commission agreed and established this case. On February 28, 2002, the Commission granted intervention to interested telecommunications companies.

On March 1, Staff filed its Report and Recommendation. Staff recommended that each eligible telecommunications carrier file with the Commission by September 1 in 2002 and future years both an affidavit and supporting documentation applicable to the eligible carrier's specific circumstances. Staff's recommendation listed in considerable detail the contents of the affidavit and supporting documentation that each eligible carrier should be required to file. No party responded to the Staff recommendation.

The Commission will adopt Staff's recommendation and require each eligible telecommunications carrier to file the following information:

A. Affidavit

Each carrier shall provide to the Commission's Telecommunications Department staff an affidavit at the National Exchange Carrier Association study area code level, executed by an officer of the carrier, attesting that the federal high-cost support received by the carrier has been (and will be) used only for the provision, maintenance and upgrading of facilities and services for which such support is intended.

B. Documentation

1. Documentation – Rural “Cost” Incumbent Local Exchange Companies

If the eligible carrier is a rural “cost” incumbent local exchange company, it shall provide a statement similar to the following:

The Company serves the _____ part of the State in the county (ies) of _____ with _____ access lines. The Company has experienced an (increase/decrease) of access lines over the last year. High cost loop support and local switching support are calculated based on investments and expenses already incurred. For example, 2003 high cost loop support is calculated based on December 31, 2001 data and 2003 local switching support is calculated based on the average of 2002 and 2003 investment data and 2003 expense data. By virtue of high cost loop support and local switching support algorithm calculations, support received from these mechanisms already has been used for the purpose intended. By virtue of the safety net and safety valve calculations, this support is also used for the purpose for which it was intended.

As indicated in the financial document filed with this letter, the company maintains substantial investment in distribution plant and switching plant, investments made over a number of years, to provide the supported services required by the Federal Communications Commission. The company also expended substantial funds in the maintenance of these facilities to provide service at appropriate levels and to respond to requests for repair of these facilities as necessary. Further, the company has made investments necessary to respond to customer requests for service at new locations, to replace plant as needed to maintain quality service, and to enhance switching capabilities to meet regulatory requirements and customers' demands for service. [Provide brief description of specific projects undertaken in enhancing distribution plant or switching investment.] [Provide a brief

description of any abnormal or extraordinary maintenance activities undertaken during the year.]]¹

If the eligible carrier is a rural “cost” incumbent local exchange company, in addition to the foregoing statement, it shall provide the following documentation:

a) A copy of the National Exchange Carrier Association 's Universal Service Fund Data Collection Form submitted and high cost loop support algorithm submitted in the current calendar year. [The form should include a statement similar to the following:

The high cost loop support algorithm has been completed using the latest available estimate of the national average loop cost of \$xxx.xx. While this provides an estimate of the high cost loop support for the coming year, it should be noted that the national average loop cost upon which payments will actually be made will be calculated and submitted to the Federal Communications Commission by the National Exchange Carrier Association on September 30, 200X and will likely be different from the estimate used in the attached submission. This means that the actual high cost loop support received in the coming year will likely differ from the estimate currently provided and shown on Page 9, Line 35 of this attachment.]]²

b) A copy of the rural incumbent local exchange company's local switching support algorithm for estimated local switching support to be received in the current or coming year.³

c) A copy of documentation regarding Safety Net and Safety Valve amounts to be received in 2003, if the company will receive such funds.

C. Documentation – Rural “Average Schedule” Incumbent Local Exchange Companies

¹ The bracketed sentences indicate areas where companies would provide descriptions of major projects and/or abnormal or extraordinary maintenance, if appropriate to the company circumstances. If not appropriate, these statements would be omitted.

² The form submitted in July 2002 will be based upon 2001 data, for anticipated high cost loop support to be received in 2003.

³ The initial estimate of local switching support for the coming year may not be prepared and submitted to USAC in time to be included with the filing to the Commission. Thus, it may be necessary to use the estimate for the current year in this filing.

If the eligible carrier is a rural “average schedule” incumbent local exchange company, it shall provide a statement similar to the following:

The Company serves the _____ part of the State in the county (ies) of _____ with _____ access lines. The Company has experienced an (increase/decrease) of access lines over the last year. Average schedule formulas for High Cost Loop Support and Local Switching Support are developed by the National Exchange Carrier Association annually and submitted to the Federal Communications Commission for approval based on analysis of a national sample of cost study companies. Thus the average schedule formulas for high cost loop support and local switching support are calculated based on investments and expenses already incurred. Therefore, by virtue of high cost loop support and local switching support algorithm calculations, support received from these mechanisms already has been used for the purpose intended. Likewise, safety net and safety valve support is only received after a rural Incumbent Local Exchange Company has incurred additional investment and/or expense. Therefore, by virtue of the safety net and safety valve calculations, the support is also used for the purpose for which it was intended.

The company maintains substantial investment in distribution plant and switching plant, investments made over a number of years, to provide the supported services required by the Federal Communications Commission. The company also expended substantial funds in the maintenance of these facilities to provide service at appropriate levels and to respond to requests for repair of these facilities as necessary. Further, the company has made investments necessary to respond to customer requests for service at new locations, to replace plant as needed to maintain quality service, and to enhance switching capabilities to meet regulatory requirements and customers’ demands for service. [Provide brief description of specific projects undertaken in enhancing distribution plant or switching investment.] [Provide a brief description of any abnormal or extraordinary maintenance activities undertaken during the year.]⁴

If the eligible carrier is a rural “average schedule” incumbent local exchange company, in addition to the foregoing statement, it shall provide the following documentation:

⁴ The bracketed sentences indicate areas where companies would provide descriptions of major projects and/or abnormal or extraordinary maintenance, if appropriate to the company circumstances. If not appropriate, these statements would be omitted.

a) A copy of the latest available National Exchange Carrier Association Average Schedule Universal Service Support Projections for estimated high cost loop support and estimated local switching support.⁵

b) A copy of documentation regarding Safety Net and Safety Valve amounts to be received in 2003 if the company will receive such funds.

D. Documentation – Non-Rural Incumbent Local Exchange Companies

If the eligible carrier is a non-rural incumbent local exchange company, it shall provide a statement similar to the following:

The Company serves the _____ part of the State in the county (ies) of _____ with _____ access lines. The Company has experienced an (increase/decrease) of access lines over the last year. The Company is currently receiving interim hold harmless support pursuant to applicable Federal Communications Commission rules. Interim hold harmless support is calculated based on investments and expenses already incurred. For example, 2003 interim hold harmless support is calculated based on December 31, 2001 data. Therefore, by virtue of the interim hold harmless algorithm calculations, it has already been used for the purpose intended. As indicated in the financial document filed with this letter, the company maintains substantial investment in distribution plant and switching plant, investments made over a number of years, to provide the supported services required by the Federal Communications Commission. The company also expended substantial funds in the maintenance of these facilities to provide service at appropriate levels and to respond to requests for repair of these facilities as necessary. Further, the company has made investments necessary to respond to customer requests for service at new locations, to replace plant as needed to maintain quality service, and to enhance switching capabilities to meet regulatory requirements and customers' demands for service. [Provide brief description of specific projects undertaken in enhancing distribution plant or switching investment.] [Provide a brief

⁵ National Exchange Carrier Association provides average schedule companies high cost loop support and local switching support projections for the following year's estimated support during October or November of the current year, thus the latest documentation available at the time of this certification filing is the estimated amounts for the current year. Normally, the changes in support for average schedules companies from year to year are relatively minor.

*description of any abnormal or extraordinary maintenance activities undertaken during the year.]*⁶

If the eligible carrier is a non-rural incumbent local exchange company, in addition to the foregoing statement, it shall provide a copy of the current National Exchange Carrier Association Universal Service Fund Data Collection Form and high cost loop support algorithm. [The form should include a statement similar to the following:

*The high cost loop support algorithm has been completed using the latest available estimate of the national average loop cost of \$xxx.xx. While this provides an estimate of the high cost loop support for the coming year, it should be noted that the national average loop cost upon which payments will actually be made will be calculated and submitted to the Federal Communications Commission by the National Exchange Carrier Association on September 30, 200X and will likely be different from the estimate used in the attached submission. This means that the actual high cost loop support received in the coming year will likely differ from the estimate currently provided.*⁷

E. Documentation – Other Eligible Telecommunications Carriers

If the eligible carrier is a not an incumbent local exchange company, it shall provide a statement similar to the following:

The Company serves the _____ part of the State in the county (ies) of _____ with _____ access lines in competition with the incumbent local exchange carrier _____. The Company has experienced an (increase/decrease) of access lines over the last year.

⁶ The bracketed sentences indicate areas where companies would provide descriptions of major projects and/or abnormal or extraordinary maintenance, if appropriate to the company circumstances. If not appropriate, these statements would be omitted.

⁷ The form submitted in July, 2002 will be based upon 2001 data, for anticipated high cost loop support to be received in 2003.

If the eligible carrier is not an incumbent local exchange company, in addition to the foregoing statement, it shall provide:

- a) A copy of the information filed with the Universal Service Administrative Company to receive federal support during the past year.
- b) A statement of the major activities undertaken during the past year or, if desired, projected for the coming year, using federal Universal Service Fund funds to provision, maintain and upgrade the facilities used for the supported services.
- c) A report on the major investments and expenses for the prior year related to the area for which the company has been designated as an eligible telecommunications carrier.

Staff also recommended that it review the affidavits and accompanying information, and prepare the appropriate letter for submission in accordance with federal requirements. Upon receiving approval from the Commission, Staff would file the letter with the Federal Communications Commission and the Universal Service Administrative Company prior to October 1 of each year certifying that the companies are eligible to receive federal high cost loop support and local switching support as appropriate. The Commission adopts this portion of Staff's recommendation as well.

IT IS THEREFORE ORDERED:

1. That telecommunications companies that desire certification as eligible telecommunications carriers from this Commission shall request certification according to the procedures set out herein.

2. That the Data Center shall send notice of this order to each certificated telecommunications company by sending a copy of this order.

3. That the Staff of the Commission shall review the affidavits and accompanying information submitted in accordance with Ordered Paragraph 1, and prepare the appropriate letter for submission in accordance with federal requirements. Upon receiving approval from the Commission, Staff shall file the letter with the Federal Communications Commission and the Universal Service Administrative Company prior to October 1 of each year certifying that the companies are eligible to receive federal high cost loop support and local switching support as appropriate.

4. That this order shall become effective on July 19, 2002.

5. That this case may be closed after July 20, 2002.

BY THE COMMISSION

(S E A L)

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Simmons, Ch., Murray, Lumpe, Gaw and Forbis, CC., concur

Mills, Deputy Chief Regulatory Law Judge